



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

August 17, 2004

Richard K. Turner
Red Emerald, Incorporated
1557 West Ashby Road
Delta, Utah 84624

Subject: Abatement of Notice of Noncompliance and Formal Acceptance of
"Transitional" Reclamation Contract and Reclamation Surety, Red
Emerald, Inc., Red Emerald Mine, M/001/058, Beaver County, Utah

Dear Mr. Turner:

On August 13, 2004, the Director of the Division of Oil, Gas and Mining formally approved the form and amount of "transitional" reclamation surety for Red Emerald, Inc.'s Red Emerald mine. The transitional reclamation surety in the amount of \$34,300 is in the form of two Certificates of Deposit (CD) issued by Wells Fargo Bank. The Division holds the \$10,000 CD and the BLM is holding the \$24,300 CD. Enclosed please find copies of the fully signed and executed "transitional" Reclamation Contract and surety bond forms for your files.

The transitional surety is intended to temporarily cover the anticipated reclamation costs for the current 6.07 acres of disturbance at the Red Emerald mine. The transitional surety will remain in place until the large mining notice of intention is approved, but for no longer than a 12 month period. Before the large mine plan is approved, the amount of surety may have to be adjusted accordingly to reflect the final reclamation plan details. A new Reclamation Contract must also be submitted to the Division, which will then replace the "transitional Reclamation Contract.

The filing of this Transitional Reclamation Surety (received August 9, 2004), submittal of the Large Mining Operations Notice of Intention (received July 26, 2004 – signature page received August 6th) and marking the 6.07 area boundary (verified by the Cedar City BLM), now satisfies all mitigation items of the Notice of Noncompliance issued June 21, 2004. **That Notice of Noncompliance is considered to be abated and is hereby terminated.**

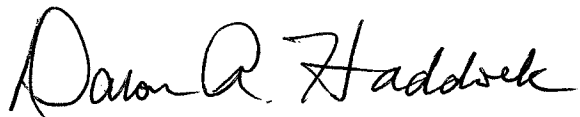
Richard Turner
Page 2 of 2
M/001/058
August 17, 2004

You may continue mining operations within the current 6.07 acre disturbed area footprint (provided you have BLM approval to do so). **Please assure that you do not mine or expand beyond the 6.07 acre disturbed area footprint until the LMO is finalized and approved for a larger acreage, or a Notice of Violation could be issued and fines could be assessed as per the newly implemented enforcement rules, which became effective June 1, 2004.**

Once we complete the tentative approval process, we will publish our decision to grant tentative approval of this project in the local area and Salt Lake newspapers. **Before the large mine plan is approved, if the amount of surety needs to be adjusted, the revised reclamation surety must be submitted to the Division prior to the end of the 30-day public comment period.**

We have placed the submittal of your large mine permit on our priority review listing and hope to be able to complete our initial review within the next 30-45 days. Please contact me at (801) 538-5325 or Tom Munson at 538-5321 if you have any questions regarding this letter.

Sincerely,



Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:jb
Enclosure: Transitional RC & 2 CD's
cc: Opie Abeyta, BLM, Utah State Office w/Encl
Ed Ginouves, BLM, Cedar City FO (UTU-79716)
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DOCUMENT TRACKING SHEET

USE THIS SHEET WHEN ITEM (S) SHOULD BE SCANNED TO SEVERAL PLACES, SUCH AS A BOND RELEASE FOR AN OUTGOING LETTER. THE LETTER WILL GO IN OUTGOING WITH THIS SHEET BEHIND IT REFERENCEING THE BOND RELEASE FINDINGS IS IN INTERNAL AND THE RECORD # IS ____.

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